

## MEMORANDUM

To: Act 61 EEU Email Service List

From: Judith C. Whitney, Deputy Clerk of the Board

Re: Next Steps on Financing the EEU Budget

Date: October 24, 2006

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On October 18, 2006, the Board held a workshop regarding the possibility of financing the Energy Efficiency Utility ("EEU") budget. Discussion at the workshop focused on identifying issues to be addressed at future workshops, and on explaining the cash flow spreadsheet developed by Board staff and circulated by email prior to the workshop. The discussion also helped frame the central questions for this process:

- (1) Are there any circumstances when financing all or part of the EEU budget could be advantageous?
- (2) If so, what should we do now to allow for that possibility?

This memorandum summarizes the schedule for the next steps that were agreed to at the workshop and provides information on the procedures to be used to circulate materials to the Board and persons on this list.

### New Webpage Focused on Financing the EEU Budget

The Board has created a new webpage focused on the process for considering financing all or part of the EEU budget. The address for this page is: <http://www.state.vt.us/psb/EEUFinancing/EEUFinancing.htm>. (There is also a link to this new page under Electricity Highlights on the Board's homepage.) The new page includes the schedule for this workshop process, background materials from the first workshop, the service list for this project, and this memorandum. The page will be updated on an ongoing basis.

### Issues to be Addressed at Future Workshops

The issues to be addressed at future workshops can generally be grouped into two categories — policy issues and implementation issues. The issues identified by workshop participants are shown below. This list is intended to stimulate participants' thinking, and to provide some structure for discussions at future workshops, but it is not intended to limit

the topics for future discussion. Participants are free to raise additional policy and implementation issues at future workshops.

The policy issues identified by workshop participants include:

- Are there any circumstances in which financing all or part of the EEU budget could be advantageous?
- Are there any circumstances in which financing all or part of the EEU budget could be harmful?
- What are the positive and negative consequences associated with providing an appropriate entity with the authority to finance all or part of the EEU budget?
- Are there reasons to provide for an energy-efficiency investment "bubble" (that is, a higher budget for a few years, ramping down afterwards)?
- Are there operational issues associated with an energy-efficiency investment "bubble" that should be taken into account?
- What are the pros and cons of financing an energy-efficiency investment "bubble"?
- Are there policy issues associated with the creation of a debt-service reserve fund related to financing all or part of the EEU budget (for example, size or fluctuation of the balance in the fund) that should be considered?
- Could public financing of all or part of the EEU budget be used to leverage private lending for energy-efficiency investments?
- Is there a possible link between financing all or part of the EEU budget and providing financing to individual customers for their energy-efficiency investments (with the goal of increasing the individual customer's contribution to the total cost of the measure)?

The implementation issues identified by workshop participants include:

- How might financing all or part of the EEU budget be structured? Securitization is one model; are there other models that should be considered?
- Is legislation needed to provide an appropriate entity with the ability to finance all or part of the EEU budget?
- What roles and responsibilities should various entities have related to financing all or part of the EEU budget?
- Should a state authority be created?
- Would any bonds issued be taxable or tax-exempt, or could there be a mix of both?
- What are the ramifications of issuing taxable versus tax-exempt bonds?
- When might the financing occur: annually, every few years, only when needed for a specific project, etc.?
- What are the costs associated with issuing bonds?
- What are appropriate assumptions to use regarding interest rates for long-term cash-flow analyses of financing all or part of the EEU budget?
- What are usual terms and conditions for state and municipal bonds and third-party loans?

- Could the Board establish a critical Energy Efficiency Charge rate threshold that, when reached, would trigger the use of financing?

#### Schedule

November 2, 2006 – Parties to file written comments on policy issues associated with considering financing all or part of the EEU budget. See the above list for more information about the types of policy issues to be addressed.

November 9, 2006 – 9:30 a.m. - 12 p.m., Workshop on policy issues associated with considering financing all or part of the EEU budget. The workshop will be held in the Board's Hearing Room, 3<sup>rd</sup> Floor, Chittenden Bank Building, 112 State Street, Montpelier.

November 17, 2006 – 9:30 a.m. - 12 p.m., Workshop on implementation issues associated with considering financing all or part of the EEU budget. The workshop will be held in the Board's Hearing Room, 3<sup>rd</sup> Floor, Chittenden Bank Building, 112 State Street, Montpelier.

#### How to File Comments

Workshop participants should file one paper copy of their comments with the Board, and circulate their comments electronically to the Act 61 EEU email service list.<sup>1</sup> This memorandum has been circulated to everyone on that list. In addition, the email service list is posted on the website for this project.

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<sup>1</sup>The Board will post participants' filings on the website for this project.